USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 9/14/2005

GAIN Report Number: UY5004

Uruguay

Livestock and Products

Annual Report

2005

Approved by:
Robert Hoff
U.S. Embassy

Prepared by:
María Julia Balbi

Report Highlights:
Uruguay's beef exports for 2006 are expected to increase to 470,000 MT due to stronger demand from export markets, especially the United States. Cattle exports for 2006 are expected to increase due to imports by non-traditional markets, such as Jordan and Tunisia, although domestic cattle prices remain high. Cattle stocks are forecast to remain relatively stable, as the calf crop will be roughly equivalent to slaughter plus exports.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Buenos Aires [AR1]
[UY]

Table of Contents

SECTION I. SITUATION AND OUTLOOK

Trade

Uruguay's beef exports for 2006 are expected to increase to 470,000 metric tons (MT) due to stronger demand from export markets, especially the United States (U.S.), which in 2004 accounted for almost 70 percent of the country's total beef exports. Greater production and relatively low, although stable, domestic consumption will increase export supplies. Uruguay has benefited from its improved sanitary status, compared to its neighboring competitors', Argentina and Brazil, whose beef is prohibited entry into the U.S. due to Foot-and-Mouth disease (FMD).

Following the FMD crisis in April 2001, to date, most export markets have reopened for Uruguay's fresh boneless beef, beginning with the European Union (EU) and Israel in November 2001, followed by Canada in January 2003, and the U.S. in May 2003. Despite active negotiations during the past two years between Uruguay's and Mexico's sanitary authorities, the Mexican market remains closed. Both official and private sources are uncertain on when it might reopen. The Asian high-value beef markets, Japan and Korea, are not expected to resume exports while the country continues vaccinating against FMD. However, they could become more flexible depending on stronger domestic demand and the ban imposed to beef from the U.S. and Canada, as a consequence of Bovine Spongiform Encephalopathy (BSE).

Beef exports for 2005 are estimated at 460,000 MT, up 10,000 MT compared to 2004, as a result of stronger demand from export markets. During January-June 2005, the U.S. remained the main export destination for Uruguayan beef, accounting for 77 percent of the market share. The opening of the Mexican market would help Uruguayans diversify their beef exports.

Although after the occurrence of the first BSE case in Canada, beef exports to that country fell dramatically, the almost simultaneous opening of the U.S. market created unprecedented opportunities for Uruguayan beef. The main beef cuts exported to the U.S. in 2004 were frozen boneless fore and hindquarters, and trimmings. In 2004, Uruguay not only exceeded its 20,000 MT U.S. beef quota but also exported additional 245,000 MT (CWE) outside the quota, paying the 26.4-percent out-of-quota tariff. As in the past few years, Uruguay has filled completely its 6,300 MT share of the Hilton beef quota. In addition, Uruguay has exported over 35,000 MT to Canada outside its beef quota of 11,600 MT. As of mid April, 2005, thermo-processed beef exports to the U.S. have increased slightly, after the Animal and Plant Health Inspection (APHIS) officials delisted 8 Brazilian meat plants from the list of approved plants for export to the U.S.

Uruguay's primary beef export destinations are illustrated below:

(MT-CWE)

Country	Jan- June 2005	Country	Jan-June 2004
U.S.	178,256	U.S.	122,271
United Kingdom	12,198	Canada	19,965
Canada	7,530	United Kingdom	11,855
Israel	5,201	Israel	11,128
Brazil	3,881	Chile	5,754
Germany	3,188	Brazil	4,347

Cattle exports for 2006 are expected to increase due to imports by non-traditional markets, such as Jordan (29,400 head in 2004) and Tunisia (12,000 head in the same year), although domestic cattle prices remain high. Other export destinations in 2004 were Brazil, Peru, Argentina, and Paraguay. Saudi Arabia, Ecuador, and Venezuela have also reopened their markets to Uruguayan cattle.

Uruguay is a traditional beef exporting country. Thus, no significant imports are expected to occur either in 2005 or 2006. However, in 2004, due to more competitive prices, Uruguay imported chilled and thermo-processed beef from Brazil ($870,000) and Argentina ($670,000).

Uruguay applies a 5.5 percent export rebate for boneless beef, 2.25 percent for bone-in beef, and between 4.5 and 6 percent for thermo-processed beef. As a Mercosur member, Uruguay applies the Common External Mercosur Tariff, which ranges from 3 to 23 percent. In general terms, intra-Mercosur trade pays no tariff.

Stocks

Cattle stocks in 2006 are forecast to remain relatively stable between 12-13 million head, as the calf crop will be roughly equivalent to slaughter plus exports (plus losses). Cattle stocks are currently estimated at record levels. Although by the end of the summer of 2005 there was a serious drought followed by floods in the eastern part of the country, cattle were not significantly affected. In addition, the calf crop in 2005 is projected to increase as pregnancy rates are not expected to have been seriously affected by adverse weather conditions. Moreover, economic stability plus relatively high calf prices create good opportunities for Uruguayan livestock producers, who have been investing in pastures and improved herd management techniques. Area planted to pastures in 2004 increased between 15 and 20 percent, and this trend is expected to continue. Slaughter will continue growing as a consequence of stronger demand from export markets, especially the United States.

Cattle prices have reached, and slightly exceeded, the values previous to the FMD crisis, which ranged for live steer from $0.80 to $0.90/kg. In 2005, the price for live steer reached $0.95 in some operations, due to the recovery of most export markets. Prices are expected to decrease slightly in 2006, once Argentina and Brazil improve their sanitary status and penetrate new markets, and remain stable at average historical levels of $0.80-$0.85/kg.

Production

For 2006, Uruguayan beef production will continue increasing and it is estimated at 610,000 MT, due to a larger slaughter to supply a growing demand from export markets. Relatively high cattle prices in U.S. dollar terms and the reopening of high-value beef markets such as the U.S. and, in the near future, Mexico, will encourage Uruguayan producers to continue investing in the livestock sector.

Beef production in Uruguay has been traditionally aimed at supplying export markets, which account for approximately 70 percent of total production. Feedlot production represents around 10 percent of total slaughter, and it is expected to continue growing due to lower grain prices, higher prices of feedlot cattle (approximately $1.15/kg, compared to $0.90/kg for grass-fed cattle), and because feedlot operations are considered a useful tool to increase production. It is expected that, in the medium term, demand from export markets for Uruguayan beef will be larger than supply. High-value beef cuts produced in feedlot operations are mainly exported since the domestic market cannot afford them.

Consumption

Domestic beef consumption for 2006 is estimated at 145,000 MT, and it is expected to remain stable compared to 2005, as a result of relatively high domestic beef prices due to strong demand from export markets. During the past few years, the economic crisis in Uruguay, together with rapidly ascending beef exports, made domestic consumption drop drastically. However, consumption increased slightly in 2005 as a result of the gradual recovery of the purchasing power. Annual per capita beef consumption is estimated at approximately 40 kg. Beef is primarily consumed in urban areas, and lamb is consumed in rural areas.

All beef cuts are consumed in Uruguay. However, cheaper cuts have become more highly demanded since beef domestic prices are relatively high, due to their linkage to cattle prices. Annual poultry consumption has increased from 10 kg to 14 kg, as it is cheaper than beef. Estimated comparative prices are as follows: tenderloin, $7/kg, and chicken, $1.50/kg. More affluent consumers buy beef cuts in supermarkets (30-35 percent market share), while consumers with a lower purchasing power buy in butcher shops (65-70 market share).

Policy/Marketing

The Government of Uruguay has made great efforts towards the total eradication of FMD, whose last outbreak was detected in August 2001. Vaccination will continue in 2005, and will not stop until there is a guarantee that the disease is under control throughout the region. A Permanent Veterinary Committee, composed of members from Argentina, Brazil, Bolivia, Chile, Paraguay, and Uruguay, was created in 2003 as a tool to anticipate and overcome difficulties resulting from FMD occurrence.

During the past few years, the Uruguayan National Meat Institute (INAC, in Spanish) has played a key role in developing various projects which will help differentiate Uruguayan beef in international markets. In 2004, INAC's Certified Natural Meat Program was included in the "Approved USDA Process Verified Programs," published in the USDA website. They are currently expecting approval for their Certified Hereford Program, and are actively working on a third certified beef program featuring Angus beef. INAC also developed protocols for organic beef production and marketing. Two Uruguayan meat processing plants are currently approved to produce and export organic beef, primarily to the U.S. and Europe.

Useful Websites

http://www.inac.gub.uy (National Meat Institute)
http://www.mgap.gub.uy (Ministry of Livestock, Agriculture, and Fisheries)
http://www.ine.gub.uy (National Statistics Institute)
http://www.aduanas.gub.uy (Uruguayan Customs)

Newspapers containing agricultural supplements:

http://www.elpais.com.uy (El País)
http://www.observa.com.uy (El Observador)

SECTION II. STATISTICAL TABLES

PSD Table

Country **Uruguay**

Commodity **Meat, Beef and Veal** (1000 MT CWE)(1000 HEAD)

	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [	Estimate[NA	Official [	Estimate[NA	Official [	Estimate[New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Slaughter (Reference)	2225	2220	2325	2400	0	2600	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	540	544	570	600	0	610	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	70	1	70	5	0	5	(1000 MT CWE)
TOTAL Imports	70	1	70	5	0	5	(1000 MT CWE)
TOTAL SUPPLY	610	545	640	605	0	615	(1000 MT CWE)
Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	400	405	440	460	0	470	(1000 MT CWE)
TOTAL Exports	400	405	440	460	0	470	(1000 MT CWE)
Human Dom. Consumpti	210	140	200	145	0	145	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumpti	210	140	200	145	0	145	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
TOTAL DISTRIBUTION	610	545	640	605	0	615	(1000 MT CWE)
Calendar Yr. Imp. from U	0	0	0	0	0	0	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)

PSD Table

Country Uruguay

Commodity Animal Numbers, Cattle (1000 HEAD)

	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [	Estimate[N	USDA Official [	Estimate[N	USDA Official [	Estimate[New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Total Cattle Beg. Stks	12609	12609	12560	12546	12405	12516	(1000 HEAD)
Dairy Cows Beg. Stks	420	390	420	390	0	410	(1000 HEAD)
Beef Cows Beg. Stocks	3555	4200	3480	4300	0	4400	(1000 HEAD)
Production (Calf Crop)	2500	2600	2500	2800	0	2850	(1000 HEAD)
Intra EC Imports	0	0	0	0	0	0	(1000 HEAD)
Total Imports	0	0	0	0	0	0	(1000 HEAD)
TOTAL Imports	0	0	0	0	0	0	(1000 HEAD)
TOTAL SUPPLY	15109	15209	15060	15346	12405	15366	(1000 HEAD)
Intra EC Exports	0	0	0	0	0	0	(1000 HEAD)
Total Exports	24	43	30	30	0	50	(1000 HEAD)
TOTAL Exports	24	43	30	30	0	50	(1000 HEAD)
Cow Slaughter	800	1067	800	1160	0	1250	(1000 HEAD)
Calf Slaughter	45	65	45	60	0	75	(1000 HEAD)
Other Slaughter	1380	1088	1480	1180	0	1275	(1000 HEAD)
Total Slaughter	2225	2220	2325	2400	0	2600	(1000 HEAD)
Loss	300	400	300	400	0	400	(1000 HEAD)
Ending Inventories	12560	12546	12405	12516	0	12316	(1000 HEAD)
TOTAL DISTRIBUTION	15109	15209	15060	15346	0	15366	(1000 HEAD)
Calendar Yr. Imp. from U	0	0	0	0	0	0	(1000 HEAD)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 HEAD)

Prices Table

Country Uruguay

Commodity Meat, Beef and Veal

Prices in US4 per uom KG

Year	2004	2005	% Change
Jan	1.52	1.62	7%
Feb	1.52	1.63	7%
Mar	1.52	1.65	9%
Apr	1.52	1.62	7%
May	1.56	1.64	5%
Jun	1.59	1.69	6%
Jul	1.66	1.73	4%
Aug	1.73	1.74	1%
Sep	1.71		-100%
Oct	1.7		-100%
Nov	1.69		-100%
Dec	1.65		-100%

Exchange Rate	24.85	Local Currency/US $
Date of Quote	9/13/2005	MM/DD/YYYY

Prices Table

Country Uruguay

Commodity Animal Numbers, Cattle

Prices in US$ per uom KG

Year	2004	2005	% Change
Jan	0.8	0.85	6%
Feb	0.8	0.85	6%
Mar	0.8	0.87	9%
Apr	0.79	0.86	9%
May	0.82	0.87	6%
Jun	0.84	0.91	8%
Jul	0.91	0.94	3%
Aug	0.95	0.95	0%
Sep	0.94		-100%
Oct	0.92		-100%
Nov	0.91		-100%
Dec	0.88		-100%

Exchange Rate 24.85 Local Currency/US $

Date of Quote 9/13/2005 MM/DD/YYYY